

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 EB-11 IGA-02 CIAE-00 INR-10

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P R 241100Z JUN 74

FM AMCONSUL SALVADOR

TO AMEMBASSY BRASILIA PRIORITY

INFO SECSTATE WASHDC 0209

UNCLAS SALVADOR 0036

BRASILIA FOR AMBASSADOR AND AID DIRECTOR WEISSMAN.

E.O. 11652: N/A

TAGS: EAID, BDIS, BR, US.

SUBJECT: AMERICAN COMPANY ASKS COST ADJUSTMENT ON SALVADOR
SEWER PROJECT:.

REF: MILLER-SLEGT TELCON, 6/21/74.

1. IN TALKS TODAY WITH STATE SECRETARY OF
SANITATION AND WATER RESOURCES, FOLLOWING BACKGROUND INFORMATION
ON SEWER PROJECT PROBLEMS WAS DEVELOPED.

2. AT MEETING THIS MORNING WITH GOVERNOR, OFFICIALS OF NORBERTO
ODEBRECHT, PRINCIPAL CONTRACTOR ON SALVADOR SEWER PROJECT,
PRESENTED ADDITIONAL CLAIMS FOR COST ADJUSTMENTS ON BOTH LAND
AND UNDERWATER PORTIONS TO STATE GOVERNMENT. CLAIMS WE MADE ON
BEHALF OF ODEBRECHT FOR LAND WORK, AND ON BEHALF OF US SUB-
CONTRACTOR, RAYMONF INTERNATIONAL, FOR WORK ON UNDERWATER
EMISSION LINE. RAYOMOND'S POSITION OF REQUESTED COST
ADJUSTMENT TOTALS CR22.7 MILLION, OR ROUGHLY USDOLLARS 3.4 MILLION.

3. COMPLETE BREAKDOWN OF RAYMOND COST ADJUSTMENT FIGURE IS
NOT YET AVAILABLE, BUT HAS BEEN PROMISED FOR DELIVERY
BY STATE OFFICIALS ON TUESDAY. STATE SECRETARY BELIEVES CLAIM IS
BASED ON NEED TO EMPLOYE MORE MEN AND EQUIPMENT ON PROJECT THAN
ORIGINALLY PLANNED, AND ON HIGLER COSTS FOR MATERIALS. CONSULATE'S
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EFFORTS TO CONTACT RAYMOND OFFICIALS FOR FURTHER DETAILS HAVE

BEEN UNSUCCESSFUL.

4. DUE TO COMBINATION OF FACTORS INCLUDING INCLEMENT WEATHER, HEAVY SEAS, LARGE BOYLDERS ENCOUNTERED IN PATH OF LINE, AND EXCAVATION REQUIREMENTS EXCEEDING FORECASTS, PROGRESS ON UNDERWATER EMISSION LINE IS WELL BEHIND SCHEDULE. THESE PROBLEMS HAD ALREADY PRODUCED COST ADJUSTMENT CLAIMS BY RAYMOND, WHICH THE STATE GOVERNMENT ACCEPTED AS REASONABLES AND AGREED TO PAY. ADDITIONAL CLAIMS AT THIS POINT, ESPECIALLY OF MAGNITUDE NOTED ABOVE, OBVIOUSLY CAME AS UNPLEASANT SHOCK TO STATE OFFICIALS AND TRIGGERED THIS MORNING'S REPRESENTATIONS.

5. MR. FEDERA, A RAYMOND VICE PRESIDENT, WILL ARRIVE IN SALVADOR ON JUNE 25 TO REVIEW CURRENT SITUATION. HE ALREADY HAS APPOINTMENT SCHEDULED WITH GOVERNOR FOR JUNE 27.

6. IN TALKS TODAY, STATE SECRETARY MERELY OUTLINED PROBLEMS DISCUSSED ABOVE WITHOUT MAKING SPECIFIC REQUEST FOR USG ACTION .

7. CONSULATE WILL BE IN CONTACT WITH BOTH STATE GOVERNMENT OFFICIALS AND RAYMOND FOLLOWING JUNE 22-24 HOLIDAY WEEKEND, AND WILL FORWARD FURTHER INFORMATION WHEN AVAILABLE.
SLEIGHT

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